

Looking Ahead to the 2008 Session...

Although the 2008 session is scheduled to be only 60 days in length, legislators will be working hard on these and other **hot topics**:

- ☑ **Education** – We will continue to focus on making Washington's education system the best in the nation. This involves making sure our students are getting a strong foundation in math and science throughout their school career. The reality is, **we don't have enough qualified graduates to fill the high-tech jobs available in this state**. I'm committed to supporting and expanding programs that train students in fields like engineering, technology, and the health sciences. Clark County has attracted many high-tech employers, which bring family-wage jobs. We need to start early preparing our kids to be competitive for these and similar careers. Additionally, we will continue to look at our school construction funding formulas and make necessary tweaks to help our school districts deal with rising student populations.
- ☑ **Transportation** – Last summer, a tragic bridge collapse in Minnesota killed 20 people and highlighted the need to upgrade our country's vital infrastructure. We also face transportation challenges here in our own state that must be addressed. **Washington is the most trade-dependent state in the nation**, so our transportation infrastructure is vital to our economic security. The Columbia River Crossing is a project requiring the successful collaboration of local, state and federal

agencies, and you'll be hearing about it in the months and years to come. In terms of major transportation projects, it is - in my view - equal to or greater than Seattle's 520 floating bridge and Alaskan Way Viaduct projects as far as the effect on our state's and district's economy. The legislature will be tackling these and other transportation issues in 2008 and beyond.

- ☑ **Jobs & Economy** – As one of the nation's top states for business, we want to continue to attract employers – especially those who bring family-wage jobs. We also want to support our **small businesses**. In 2008 we'll be looking at a variety of **tax-relief options** for small businesses, including temporary B&O tax relief for small start-up companies.
- ☑ **Community Safety** – We will be taking a look at our state's current **sex offender laws**. They are among the toughest in the nation, but the tragic killing last summer of a young Tacoma girl prompted the governor to order a review of our laws and recommendations on how to improve them. We will also examine quicker law-enforcement responses to **missing persons** reports, stronger enforcement of no-contact orders in **domestic violence** cases, and better safeguards against **identity theft** – which is one of the fastest-growing crimes in the country. Washington is one of the most beautiful places in the country to live – we want to make sure it's also one of the safest.

For frequent updates about what's happening in the 2008 session, please visit my website at: <http://www.housedemocrats.wa.gov/members/fromhold>

Here you will find all my **latest press releases**, as well as **weekly video updates** that I give from the House floor. You can also contact me through my website with your comments and feedback.

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CAPITOL LETTER:
Looking ahead to the
2008 session

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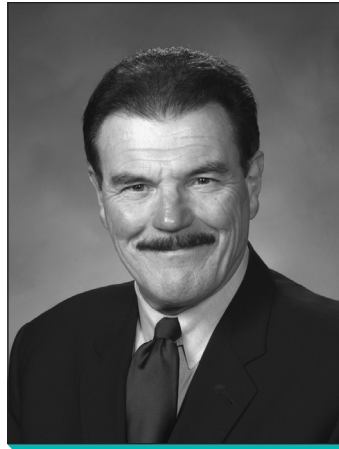
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Looking ahead to the 2008 session

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Committees:

- Capital Budget, Chair
- Appropriations
- Appropriations Subcommittee on Education
- Select Committee on Pension Policy

December 2007

Dear Neighbor:

Greetings!

The winter holiday season is upon us once again. As we approach the New Year, I hope it finds you and your loved ones well. December can be a busy month for many people, and I certainly enjoy every quiet moment I can spend with my family before the legislative session starts up again in January.

The 2008 legislative session begins Monday, January 14, and is scheduled to last 60 days. It will be a "short session," as opposed to a "long session" which happens every odd year and lasts 104 days. During short session years we do not come up with a new budget, but rather do some tweaking to the two-year budget passed in 2007. This means we generally don't consider big spending bills. But there is still a lot of work we cram into those two short months.

So, what do we hope to accomplish in just 60 days? This newsletter will provide you some details about that, as well as an update on the special one-day session that was held in November.

Your feedback is important to me. I welcome your phone calls, letters and emails and want to hear your comments and concerns. **My first Town Hall Meeting of 2008 will take place on January 12th from 10:00 a.m. to 12:00 p.m. in the 6th Floor Hearing Room (Room 680) of the Clark County Public Service Center Building. It is located at 1300 Franklin Street in Vancouver, and there is free parking adjacent to the building.** I encourage you to attend if possible. Rep. Jim Moeller and Senator Craig Pridemore will join me for a discussion of the upcoming session and hot topics in our district.

The 49th District is a great place to live and work, and I feel honored to represent such a vibrant, active community. My best wishes to you and yours for a safe and happy new year.

Sincerely,

State Representative Bill Fromhold • 49th Legislative District

DECEMBER 2007

The Budget

These days, we can't watch TV or pick up a newspaper without being confronted by reports about uncertainty in our national economy. Since the summer we've been hearing about a "crisis" in the mortgage lending industry, and, more recently, about the possibility of a recession. Meanwhile, gas prices are at record highs. So how is our state's economy faring in the face of these national developments?

There is plenty of good news...

- ✓ While housing prices have been declining nationally, our state has so far defied that trend. We also have one of the lowest foreclosure rates in the country.
- ✓ In the past year, we've added approximately 85,000 new jobs – that's a 3.0% increase. By contrast, jobs only increased 1.2% nationwide.
- ✓ Our unemployment rate continues to be low – below the national average and one of the lowest rates in the last 30 years.
- ✓ Forbes magazine recently ranked Washington as the **fifth best state in which to do business**.
- ✓ Our state's pension fund is in good shape, and getting even better. Our unfunded liability **decreased** by \$660 million in the last year – a savings for Washington's taxpayers and good news for the over 120,000 folks in our state's retirement system.



- ✓ Standard & Poor's - a provider of independent credit ratings - upgraded our state's rating to AA+. This means we can get a lower interest rate on our construction bonds, which again means taxpayer savings in the long run.

But we must remain fiscally responsible...

- ✓ The most recent revenue forecast for Washington shows a decrease of \$130.4 million. This is the first significant decrease predicted since 2004, and is mostly due to anticipated reductions in real estate tax collections as the market slows down somewhat.
- ✓ If oil prices continue to remain at record-high levels, the forecast could go down by another \$150 million, leaving even less money in the general fund.
- ✓ Construction jobs make up 7% of our state's total employment – a level which may not be sustainable as new construction slows.
- ✓ Voters passed the Budget Stabilization Account – or "Rainy Day Fund" – back in November. This fund will help during economic slowdowns without raising taxes. About \$136 million is expected to be transferred to this account for the 2007-09 biennium.



Just how accurate are state revenue forecasts?

The forecast for a biennium (2-year period) is first generated almost 17 months before the beginning of that biennium. A biennium begins on July 1 and ends on June 30 two years later. For example, for the 2005-07 biennium, the original forecast was generated in February 2004.

Track Record for General Fund-State Revenue Forecasts (Dollars in Millions)

Biennium	Original Forecast	Actuals (Change from original)	Percent Change
2005-07	\$24,293	+\$2,821	+11.3%
2003-05	\$22,225	+\$604	+2.6%
2001-03	\$21,728	-\$1,393	-6.2%
1999-2001	\$19,656	+\$359	+1.7%

Q&A About the Special Session on Property Taxes

On November 29, 2007, the legislature convened a special, one-day session to address the issue of property taxes in our state.

Q: Why the rush for a special session at the end of November when the regular session was scheduled to begin on January 14 anyway?

A: On November 8, 2007, the state Supreme Court overturned Initiative 747, the 1% annual cap on property tax increases approved by voters in 2001. Governor Gregoire had said all along that she would call for a special session if it became clear local taxing districts would not honor the 1% cap until January. Because some taxing districts appeared ready to raise taxes about the 1% level, it was important to act quickly and reinstate the will of the voters.

Q: Did you vote to reinstate the 1% cap?

A: Yes. I joined 85 of my colleagues in the House to vote in favor of reinstating the 1% cap, just as the voters approved it in 2001. The bill passed both the House and Senate, and was signed into law by the governor. I voted for the cap because I know right now many homeowners are being squeezed by higher health insurance premiums, gas prices, and variable interest rates on consumer and mortgage loans. Giving them some certainty when it came to their property taxes was important to me.

Q: What is “banked capacity”? I’ve heard that the new law doesn’t stop local governments from using it to raise taxes above the 1% cap. Why didn’t the legislature do something to prevent this?

A: “Banked capacity” is the ability local governments have to “save” unused tax capacity from years in which they didn’t raise taxes to the maximum allowed, and use it at a future date when they need it. For example, if a county raises taxes by only .8% instead of 1%, they have “banked” capacity of .2%. But this issue was not addressed in the original initiative that voters passed, and the majority of the legislature felt that eliminating banked capacity would put local governments in a “use it or lose it” situation, essentially forcing them to raise taxes by the full 1% every year. What we passed on November 29 was the exact version of what people voted for with I-747.

Q: Were any other bills passed during the special session?

A: Yes. The legislature approved a bill – which I voted for – that allows homeowners making up to \$57,000 a year to defer 50% of their annual property taxes. When the home is sold or transferred, the deferred taxes are paid back, with interest.

Q: How is the deferral program helpful to people if they have to pay back the property taxes with interest? Won’t it just get them further into debt?

A: This is simply a voluntary program meant to provide only temporary relief to families in real financial crisis – such as those in real danger of losing their homes. It allows them a way to potentially keep their home until they are on better financial footing again. The interest rate – currently 7% - is far lower than the interest rate on credit cards, which is what many people turn to when they can’t pay their bills. Plus, it doesn’t raise anyone’s taxes, and doesn’t come at a cost to local governments. When it comes to considering property tax reform, this is certainly at the margin.

Q: Local governments weren’t happy about the 1% cap because they say it’s below the rate of inflation and they’ll have to cut services. Is this really true, and if so, how do you propose to fix the problem?

A: A 1% annual increase is below the rate of inflation, and local governments – including Clark County and the City of Vancouver – are finding it increasingly difficult to continue providing important, necessary services, like fire and police, to a growing population while their revenue keeps shrinking. At the same time, homeowners still struggle with property taxes – despite six years of I-747 being law – because of runaway property valuations due to a strong real estate market. It is clear that we need to examine the property tax system as a whole and start talking about long-range solutions that help people who are struggling to keep their homes while at the same time help our local governments provide vital services. I support looking at these issues in the 2008 session and beyond, and I welcome your feedback on the subject as well.

